SINOSOFT
TECHNOLOGY

Sinosoft Technology Group Limited
中國擎天軟件科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1297

Interim Report

2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Xin Yingmei *(Chairlady)*
Mr. Yu Yifa

NON-EXECUTIVE DIRECTOR

Mr. Hu Xiaoming, Simon

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kang Choon Kiat
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

AUDIT COMMITTEE

Mr. Kwauk Teh Ming, Walter *(Chairman)*
Mr. Kang Choon Kiat
Mr. Zong Ping

REMUNERATION COMMITTEE

Mr. Kang Choon Kiat *(Chairman)*
Mr. Kwauk Teh Ming, Walter
Mr. Yu Yifa

NOMINATION COMMITTEE

Ms. Xin Yingmei *(Chairlady)*
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

INVESTMENT MANAGEMENT COMMITTEE

Mr. Kang Choon Kiat *(Chairman)*
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

AUTHORIZED REPRESENTATIVES

Mr. Yu Yifa
Dr. Ngai Wai Fung

COMPANY SECRETARY

Dr. Ngai Wai Fung *(FCIS, FCS (PE), CPA, FCCA)*

AUDITOR

Baker Tilly Hong Kong Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

No. 26 Tianpu Road
Jiangpu Street
Pukou District
Nanjing City
Jiangsu
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
China Merchants Bank

COMPANY WEBSITE

www.sinosoft-technology.com

STOCK CODE

1297

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL DEVELOPMENT

During the first half of 2017, informatization continued to develop. Under the backdrop of increasing labour costs, enterprises were keen to enhance efficiency through information technology. Customers' demand for the Group's products increased accordingly, which in turn brought the Group to achieve satisfactory year-on-year growth in revenue, profit and cash flow for the six months ended 30 June 2017.

During the period under review, the Group continued to utilize new technologies such as cloud computing and big data, to integrate government services and internet applications, so as to continuously develop more innovative application software products for governments and industries. Among the new products launched in the first half of 2017 in the area of tax software and related services segment is the online invoice verification system, while under the e-Government segment, a city electronic door number system and Didi police - a product for police services which is derived from shared economy model was launched. In the area of carbon management, a low carbon transportation platform was introduced. These products are all first of its kind invented in China. In addition, all of these products are able to facilitate work flow for government agencies and enterprises, as well as to bring convenience to citizens, thus, recognised by the market.

REVENUE

For the six months ended 30 June 2017, the Group's revenue recorded approximately RMB 239.2 million, representing an approximately 16.9% growth when compared to approximately RMB 204.7 million for the same period in 2016. During the period under review, the Group's core business segments namely tax software and related services, carbon management solutions and e-Government solutions recorded an increase in revenue, with a growth rate for carbon management solutions reaching over 70%, which in turn contributed to the increase of the Group's results for the first half of 2017.

Tax Software and Related Services

During the period under review, the Group adjusted its strategies in order to combat the challenges brought about by the continuous economic and export slowdown. Apart from providing tax software and related services to enterprises, the Group also cooperated with a large foreign trade integrated service provider, to offer comprehensive export tax rebate risks control solutions. Revenue from tax software and related services recorded approximately RMB 54.6 million, representing an increase of approximately 3.8% when compared with approximately RMB 52.6 million for the same period in 2016.

Carbon Management Solutions

Under the backdrop of continuous propelling energy saving, environmental protection and ecological civilization policies, together with the soon to be launched national carbon trading market, demand for carbon management solutions from different administrative levels and enterprises is strong. During the six months ended 30 June 2017, the Group has implemented carbon management solutions in 4 low carbon pilot cities, driving the revenue in this segment to surge by approximately 70.7% to approximately RMB 38.2 million, as compared to approximately RMB 22.4 million for the same period in 2016.

e-Government Solutions

For the six months ended 30 June 2017, revenue generated from e-Government solutions achieved approximately RMB 123.6 million, representing an increase of approximately 19.4% when compared with approximately RMB 103.5 million for the same period in 2016. During the period under review, the Group's signature products of judicial and security related platforms continued to record strong sales. Clients for judicial products covered all administrative levels from the Central Government to provincial and municipal governments, as such, national layout for judicial products expansion was achieved. Along with the Central Government's intensifying demand in informatization management capabilities, e-Government solutions is entering into a prosperous period. The increased in such related spending helped bring about government agencies' demand for new products as well as upgrading of existing products, which in turn contributed to the increase in revenue.

System Integration Solutions

System integration solutions is not the Group's key business segment, but a complementary service to the Group's other core business segments purporting to provide a total solutions service to the Group's customers. During the six months ended 30 June 2017, revenue generated from system integration solutions segment amounted to approximately RMB 22.8 million, as compared to approximately RMB 26.2 million for the same period in 2016.

COST OF SALES

The Group's cost of sales is largely made up of amortisation of capitalised software development costs as well as the costs for purchasing systems and components for some of its projects. During the period under review, the Group has been intensifying its investment in developing new products, which led to the increases in both amortisation costs and costs to purchase systems and components. These have resulted in an increase of approximately 21.4% in the Group's cost of sales, from approximately RMB 77.6 million during the six months ended 30 June 2016 to approximately RMB 94.3 million during the six months ended 30 June 2017.

SEGMENT RESULTS AND SEGMENT RESULTS MARGIN

The Group's total segment results (representing the sum of revenue and value-added tax refund, less cost of sales and research and development costs) grew by approximately 20.4% to approximately RMB 120.6 million for the six months ended 30 June 2017 from approximately RMB 100.1 million for the six months ended 30 June 2016.

The Group's overall segment results margin increased to approximately 50.4% in the six-month period ended 30 June 2017, as compared with approximately 48.9% in the six-month period ended 30 June 2016, attributable to the increase in segment results margin of carbon management solutions.

RESEARCH AND DEVELOPMENT COSTS

For the six months ended 30 June 2017, the Group's research and development ("**R&D**") costs decreased by approximately 6.7% to approximately RMB 29.0 million as compared with approximately RMB 31.1 million for the six months ended 30 June 2016. Apart from the amortisation of purchased software for R&D activities, R&D costs also included rental, utilities and other expenses associated with the Group's R&D department. The decrease in R&D costs is mainly due to the saving in rental costs after the acquisition by the Company of the office building in Nanjing, which the Company used to occupy as tenant for its headquarter, during the second half of 2016.

OTHER INCOME AND GAINS

The Group's other income and gains which was mainly made up of the interest income earned from bank deposits decreased from approximately RMB 6.6 million for the six months ended 30 June 2016 to approximately RMB 4.9 million for the six months ended 30 June 2017, mainly due to the lower interest rate environment.

DISTRIBUTION AND SELLING EXPENSES

The Group's distribution and selling expenses increased from approximately RMB 12.8 million during the six months ended 30 June 2016 to approximately RMB 18.8 million during the six months ended 30 June 2017, attributable to proactive business expansion.

ADMINISTRATIVE AND GENERAL EXPENSES

The Group's administrative and general expenses increased from approximately RMB 18.6 million during the six months ended 30 June 2016 to approximately RMB 23.5 million during the six months ended 30 June 2017, attributable to continuous business growth.

OTHER EXPENSES AND LOSSES

Other expenses and losses of the Group decreased to approximately RMB 0.6 million for the six months ended 30 June 2017, as compared to approximately RMB 2.8 million for the six months ended 30 June 2016. This is due to the recognition of allowance for trade receivables of approximately RMB 2.8 million made during the six months ended 30 June 2016.

INCOME TAX EXPENSE

The Group's income tax expense increased by approximately 30.0% from approximately RMB 5.7 million for the six months ended 30 June 2016, to approximately RMB 7.4 million for the six months ended 30 June 2017. The increase was mainly due to a write back of income tax expense amounting to approximately RMB 4.5 million during the six months ended 30 June 2016.

PROFIT AND TOTAL COMPREHENSIVE INCOME

Profit and total comprehensive income of the Group for the six months ended 30 June 2017 amounted to approximately RMB 75.2 million, representing an increase of approximately 12.6% as compared with RMB 66.8 million for the six months ended 30 June 2016. For the period under review, net profit margin was maintained at a satisfactory level of approximately 31.4%.

NET CURRENT ASSETS

As at 30 June 2017, the Group had net current assets of approximately RMB 773.0 million (31 December 2016: RMB 753.9 million).

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

During the six months ended 30 June 2017, the Group's primary source of funding came from cash generated from its operating activities. As at 30 June 2017, the net cash inflow from operating activities amounted to approximately RMB 45.2 million (30 June 2016: approximately RMB 0.5 million) and the Group had cash and cash equivalent of approximately RMB 244.1 million (31 December 2016: RMB 277.4 million).

As at 30 June 2017, the Group has no borrowings (31 December 2016: Nil) and no significant contingent liabilities. As the Group has no borrowings as at 30 June 2017, no gearing ratio (which is calculated as total debt divided by total equity) was shown. Assets of the Group had not been charged to any third party in the period under review.

The capital structure of the Group consists of net debt, which includes the borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves. Relevant policies on capital risk management and financial instruments have no material changes from the disclosure in the Group's annual report for the year ended 31 December 2016 (the "**2016 Annual Report**"). Please refer to note 5 to the consolidated financial statements of the Group's 2016 Annual Report for more details.

INTANGIBLE ASSETS

The Group's intangible assets consist mainly of capitalised software costs and purchased software. The increase in intangible assets was mainly attributable to the addition to capitalised software costs of approximately RMB 44.6 million (30 June 2016: RMB 19.1 million) and the addition to purchased software of approximately RMB 15.1 million (30 June 2016: RMB 11.7 million) less the amortisation charges for the period under review.

HUMAN RESOURCES

As at 30 June 2017, the Group had a total of 647 employees (31 December 2016: 635). The Group offered competitive salary packages, as well as discretionary bonuses and contribution to social insurance to its employees. In order to ensure that the Group's employees remain competitive in the industry, the Group adopted training programs for its employees managed by its human resources department. The Company has also adopted a share option scheme and share award scheme to recognise and motivate contributions of its employees. Further details regarding the share option scheme and share award scheme has been set out in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" on pages 12 to 14 of this interim report.

FOREIGN EXCHANGE EXPOSURE

The primary economic environment in which the Group operates is in the PRC and its functional currency is Renminbi ("**RMB**"). However, certain of the Group's bank balances and other payables are denominated in United States Dollar ("**USD**") and Hong Kong Dollar ("**HKD**"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

During the period under review, the Group recorded an exchange loss of approximately RMB 586,000 (30 June 2016: exchange gain of approximately RMB 97,000). This exchange loss during the six months ended 30 June 2017 was a result of the appreciation of RMB against the USD and HKD where during the period under review, the Group had net assets in USD and HKD.

No currency hedging arrangements were made as at 30 June 2017. The Group will continue to closely monitor and manage its exposure to fluctuation in foreign exchange rates and make appropriate arrangement as and when necessary.

CHARGE ON ASSETS

As at 30 June 2017, the Group had no charge on assets.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2017, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2017, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is continuously on the look-out for material investments that can add value to the Group. Save as disclosed in this interim report, there was no plan authorized by the Board for material investments or additions of capital assets as at the date of this interim report.

OUTLOOK

In 2017, the Central Government of the PRC has clearly set a macro-goal for promoting modernization in state governance system and governance capability. Informatization has been taken as a strategic measure for China's reformation in governance. All levels of government departments are focused on "informatization thinking", to promote modernization in governance and informatization in public services. This has brought about a growing demand for information technology from government agencies, enterprises and citizens which leads to an increase in market demand for application software. Under the megatrend of informatization, together with increasing policies for promoting e-Government solutions, low carbon and environmental protection, as well as enhancing technological application standard, the Group is presented with many business opportunities. With years of experience accumulated and possessing professional knowledge in tax, low carbon and e-Government industries, combining the application of advanced technologies, the Group will continue to seek opportunities for offering efficient and innovative solutions so as to bring about sustainable growth.

For tax software and related services, the Group will continue to leverage on its experience in the export industry, understanding in customers' demand and professional knowledge. Together with breaking the boundary of software products by implementing internet capabilities and cloud computing technology into new products, the Group strives to provide all-time accessibility and wide coverage internet-based products and cloud-based services. The Group recently launched software products related to invoice verification which further help enhance efficiency for export enterprises, as well as enrich the Group's tax product lines. The Group will continue to intensify the promotion of "cloud-based training program", enabling staffs of export enterprises to participate in training with greater flexibility. These new products and services that utilize cloud platform for covering the whole country, will ensure that the Group's tax products are no longer restricted to a specific region. As such, it will be more favorable for promoting tax software and related services to markets outside Jiangsu Province.

For carbon management solutions, along with the national carbon trading market which is expected to be launched soon, demand for various carbon management related products from relevant parties, such as different administrative levels, carbon emission enterprises and carbon trading agencies, will probably surge. For carbon emission enterprises, the establishment of carbon trading market will translate low carbon related external policy pressure into internal economic incentives. Therefore, enterprises, especially those in the high energy consumption industries and traditional manufacturing industries, will have enormous demand for enterprises carbon asset management software products. Meanwhile, different administrative levels also have increasing demand for carbon trading related products. The Group will seize the opportunities and promote its abundant carbon management product lines to different geographical markets. Apart from the carbon management related platforms, the Group's pollution rights trading system series that is related to environmental protection, is riding on the strategic direction of applying technology to enhance ecology and environment. It has set the benchmark for the industry and is being pursued by many provinces and municipals and is expected to obtain a huge market.

For e-Government solutions, the Group will continue to enhance features in judicial and security related platforms, to explore more convenient and innovative applications, and to promote to markets outside Jiangsu Province. Intelligent judicial products, which have been brewing for two years, have finally spread out its national expansion layout in the first half of 2017. Going forward, along with the trend of increasing spending in third party services by the government, the Group will apply its capability in big data analysis, to plan a series of innovative products for legal services, legal promotion and law enforcement management etc., and to promote in different provinces across the country. In addition, with the city electronic door number system which was launched in the first half of this year, the Group will leverage on big data analysis and develop different products targeting government agencies, enterprises and citizens. At the same time, the Group will continuously explore the potential in computing ability of Alibaba Cloud Computing Limited, and payment and finance platform by Ant Financial Services Group, to develop other e-Government products, especially products related to government services and city management. Thus, the objective is ultimately to establish new smart city and further expand the market.

Riding on the trend of informatization, together with the competitive edges and prospects in different core business segments, the Group will continue to strengthen its R&D and enhance its competitiveness, to prepare for greater growth in the future.

OTHER INFORMATION

INTERIM DIVIDEND

The board (the "**Board**") of directors (the "**Director(s)**") did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, interests or short positions in the shares of the Company (the "**Share(s)**"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) held by the Directors and chief executive of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") are as follows:

Name of Director	Personal interests	Corporate interests	Interest of spouse	Number of Shares held (Note 1)	Approximate percentage of the issued share capital of the Company
Ms. Xin Yingmei	—	494,912,400 (L) (Note 2)	78,777,000 (L) (Note 3)	573,689,400 (L)	46.31%
Mr. Yu Yifa	1,170,000 (L)	—	—	1,170,000 (L)	0.09%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

(2) These Shares are held by Long Capital International Limited which is beneficially and wholly-owned by Ms. Xin Yingmei.

(3) These Shares are held by Telewise Group Limited which is beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei.

Save as disclosed above, none of the Directors, or chief executives of the Company and/or any of their respective associates had registered any interests or short positions in any Shares and underlying Shares in, and debentures of, the Company or any associated corporations as at 30 June 2017, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2017, the persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of SFO:

Name of shareholder	Capacity	Number of Shares held (Note 1)	Approximate percentage of the issued share capital of the Company
Long Capital International Limited	Beneficial owner	494,912,400 (L) (Note 2)	39.95%
Telewise Group Limited	Beneficial owner	78,777,000 (L) (Note 3)	6.36%
Wang Xiaogang	Interest of a controlled corporation	78,777,000 (L) (Note 3)	6.36%
Alibaba.com Investment Holding Limited	Beneficial owner	165,000,000 (L) (Note 4)	13.32%
Alibaba.com Limited	Interest of a controlled corporation	165,000,000 (L) (Note 4)	13.32%
Alibaba Group Holding Limited	Interest of a controlled corporation	165,000,000 (L) (Note 4)	13.32%
FIL Limited	Interest of a controlled corporation	111,900,100 (L)	9.03%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

(2) These Shares are held by Long Capital International Limited which is beneficially and wholly-owned by Ms. Xin Yingmei.

(3) These Shares are held by Telewise Group Limited which is beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei.

(4) Alibaba.com Investment Holding Limited is wholly-owned by Alibaba.com Limited which is a subsidiary of Alibaba Group Holding Limited.

Save as disclosed above, as at 30 June 2017, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 11 June 2013. As at the date of this interim report, the total number of Shares available for issue under the Share Option Scheme was 100,000,000 Shares, which represented 8.1% of the Shares in issue.

The following is a summary of the principal terms of the Share Option Scheme:

1. **Purpose of the Share Option Scheme:**

   The Share Option Scheme is established to recognise and acknowledge the contributions the Eligible Participants under the Share Option Scheme (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants under the Share Option Scheme an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

   (i) motivate the Eligible Participants under the Share Option Scheme to optimize their performance efficiency for the benefit of the Group; and

   (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants under the Share Option Scheme whose contributions are or will be beneficial to the long-term growth of the Group.

2. **Participants of the Share Option Scheme:**

   The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants under the Share Option Scheme**" or each of whom, the "**Eligible Participant under the Share Option Scheme**") to subscribe for such number of new Shares as the Board may determine:

   (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

   (ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

   (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. **Total number of Shares available for issue under the Share Option Scheme and percentage of issued shares as at the date of this interim report:**

   As at the date of this interim report, no share option has been granted under the Share Option Scheme.

   The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 100,000,000 Shares.

4. **Maximum entitlement of each participant under the Share Option Scheme:**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant under the Share Option Scheme in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant under the Share Option Scheme, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant under the Share Option Scheme and his/her associates (as defined in the Listing Rules) abstaining from voting.

5. **The period within which the Shares must be exercised under the Share Option Scheme:**

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. **The minimum period for which an option must be held before it can be exercised:**

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. **The basis of determining the exercise price:**

Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary Shares as stated in the Stock Exchange daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary Shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary Share.

8. **The remaining life of the Share Option Scheme:**

It will remain in force for a period of 10 years. Since the adoption of the Share Option Scheme, no options had been granted under the Share Option Scheme.

During the six-month period ended 30 June 2017, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 13 December 2016 (the "**Share Award Scheme**") to:

(i) to recognise and motivate the contributions by any employee of the Group and non-executive director of the Company and/or any member of the Group (excluding any employee of the Group and non-executive director of any member of the Group who has tendered his/her resignation or who has been given a notice of dismissal by the Company and/or the relevant member of the Group) who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any member of the Group (the "**Eligible Participants under the Share Award Scheme**") and to give incentives thereto in order to retain them for the continual operation and development of the Group;

(ii) to attract suitable personnel for further development of the Group; and

(iii) to provide certain Eligible Participants under the Share Award Scheme with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption. Pursuant to the Share Award Scheme, shares will be acquired by the independent trustee, ARK Trust (Hong Kong) Limited (the "**Trustee**") at the cost of the Company from the open market or subscribe for the relevant number of Shares awarded and shall hold such Shares until they are vested in accordance with the rules of the Share Award Scheme. Vested shares will be transferred to the selected participants at nil consideration. The Board shall not make any further grant of award of Shares under the Share Award Scheme such that the total number of Shares granted under the Share Award Scheme will exceed 5% of the total number of issued Shares as of the date of adoption of the Share Award Scheme. If the relevant subscription or purchase would result in the Trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the date of the adoption of the Share Award Scheme, the Trustee shall not subscribe or purchase any further Shares. Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 13 December 2016.

On 13 December 2016 and 12 June 2017, the Board has further resolved that a sum of up to HKD 40 million and HKD 50 million be provided for the purchase of Shares to be awarded to the participants to be selected by the Board respectively. Details of the further share purchase under the Share Award Scheme are set out in the announcements of the Company dated 13 December 2016 and 12 June 2017.

During the period ended 30 June 2017, no shares have been granted or agreed to be granted to any Eligible Participants under the Share Award Scheme.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its corporate governance code of practices. The Company has complied with all of the applicable code provisions as set out in the CG Code throughout the six months ended 30 June 2017, with the exception of the following deviation:

Code provision A.2.1 of the CG Code provides that, amongst others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Xin Yingmei is currently the chairlady and chief executive officer of the Company responsible for overseeing the operations of the Group.

The Board has considered the merits of separating the roles of chairlady and chief executive but is of the view that it is in the best interests of the Company to vest the two roles in Ms. Xin Yingmei. The Board considers that vesting the two roles in Ms. Xin Yingmei ensures that the Company is under a consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") on 11 June 2013 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, Mr. Kwauk Teh Ming, Walter, Mr. Kang Choon Kiat and Mr. Zong Ping, with Mr. Kwauk Teh Ming, Walter serving as chairman of the Audit Committee. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, to oversee the audit process to develop and renew its policies and practices on corporate governance and to perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed the report prepared by the Group's internal audit department on its internal control policies and procedures, including the internal control procedures of the foreign exchange and other investment transactions for the period ended 30 June 2017.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "**Remuneration Committee**") on 11 June 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and code provision B.1.2 of the CG Code. The Remuneration Committee consists of one executive Director, being Mr. Yu Yifa and two independent non-executive Directors, being Mr. Kwauk Teh Ming, Walter and Mr. Kang Choon Kiat, with Mr. Kang Choon Kiat serving as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Board regarding the Group's policy and structure for the remuneration of all Directors and senior management members and on the establishment of a formal and transparent procedure for developing remuneration policies concern; (ii) determining the terms of the remuneration packages of its Directors and senior management; (iii) reviewing and approving management's remuneration proposals with reference to corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "**Nomination Committee**") on 11 June 2013 with written terms of reference in compliance with code provisions A.5.1 and A.5.2 of the CG Code. The Nomination Committee consists of one executive Director, being Ms. Xin Yingmei, and two independent non-executive Directors, being Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping, with Ms. Xin Yingmei serving as the chairlady of the Nomination Committee. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board.

INVESTMENT MANAGEMENT COMMITTEE

The Company has established an investment management committee (the "**Investment Management Committee**") on 31 October 2012. The Investment Management Committee consists of three independent non-executive Directors, namely, Mr. Kang Choon Kiat, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping, with Mr. Kang Choon Kiat serving as the chairman of the Investment Management Committee. The primary function of the Investment Management Committee is to enhance the effectiveness of the Group's internal control and risk management procedures and to identify and manage the risks which the Group may be exposed to in handling foreign exchange and other investment transactions.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiries with the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2017. The Company was not aware of any incidence of non-compliance with the Model Code by the Directors during the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 June 2017 has been reviewed by the auditor of the Company, Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 — "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The independent review report of the auditor is included on page 17 in this interim report. The unaudited interim results of the Group for the six months ended 30 June 2017 has also been reviewed by the Audit Committee of the Company.

By Order of the Board
Sinosoft Technology Group Limited
Xin Yingmei
Chairlady

Hong Kong, 22 August 2017

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF SINOSOFT TECHNOLOGY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sinosoft Technology Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 18 to 32, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 22 August 2017
Choi Kwong Yu
Practising certificate number P05071

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended	
	NOTES	**30.6.2017**	30.6.2016
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	**239,175**	204,671
Value-added tax refund		**4,696**	4,198
Cost of sales		**(94,254)**	(77,630)
Research and development costs		**(29,026)**	(31,120)
Other income and gains	5	**4,930**	6,563
Distribution and selling expenses		**(18,845)**	(12,758)
Administrative and general expenses		**(23,466)**	(18,600)
Other expenses and losses	6	**(597)**	(2,825)
Profit before taxation	7	**82,613**	72,499
Taxation	8	**(7,393)**	(5,689)
Profit and total comprehensive income for the period		**75,220**	66,810
		RMB	RMB
		cents	cents
		(unaudited)	(unaudited)
			(restated)
Earnings per share			
– Basic and diluted	9	**6.07**	5.39

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	NOTES	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		105,271	107,335
Lease prepayment for land use rights		14,488	14,714
Intangible assets	11	197,638	200,650
Available-for-sale investments		2,000	2,000
		319,397	324,699
Current assets			
Inventories		1,626	12,796
Trade and other receivables	13	671,684	607,243
Pledged bank deposits		–	18,207
Bank balances and cash		244,064	277,415
		917,374	915,661
Current liabilities			
Trade and bills payables	14	57,149	80,289
Other payables		81,974	65,943
Tax liabilities		5,270	15,553
		144,393	161,785
Net current assets		772,981	753,876
Total assets less current liabilities		1,092,378	1,078,575
Non-current liability			
Deferred tax liabilities	12	44,964	43,277
Net assets		1,047,414	1,035,298
Capital and reserves			
Share capital	15	10,009	10,009
Reserves		1,037,405	1,025,289
Total equity attributable to owners of the Company		1,047,414	1,035,298

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Equity attributable to owners of the Company						
	Share capital RMB'000	PRC statutory reserve RMB'000	Capital reserve RMB'000	Share premium RMB'000	Share held under share award scheme RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2016 (audited)	8,232	86,200	2,627	299,788	–	483,495	880,342
Profit and total comprehensive income for the period	–	–	–	–	–	66,810	66,810
Dividend (note 10)	–	–	–	–	–	(24,174)	(24,174)
At 30 June 2016 (unaudited)	8,232	86,200	2,627	299,788	–	526,131	922,978
At 1 January 2017 (audited)	10,009	106,490	2,627	298,011	(12,255)	630,416	1,035,298
Profit and total comprehensive income for the period	–	–	–	–	–	75,220	75,220
Dividend (note 10)	–	–	–	–	–	(28,862)	(28,862)
Purchase of shares under share award scheme (note 16(b))	–	–	–	–	(34,242)	–	(34,242)
At 30 June 2017 (unaudited)	10,009	106,490	2,627	298,011	(46,497)	676,774	1,047,414

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**45,206**	540
Investing activities:		
Purchase of property, plant and equipment	**(2,206)**	(776)
Deposits paid for acquisition of a subsidiary	**—**	(33,547)
Payment for the cost incurred of intangible assets	**(59,730)**	(30,884)
Proceeds from release of pledged bank deposits	**18,207**	21
Proceeds from release of structured bank deposits	**—**	258,677
Net cash (used in)/generated from investing activities	**(43,729)**	193,491
Financing activities:		
Purchase of shares under share award scheme	**(34,242)**	—
Net cash used in financing activities	**(34,242)**	—
Net (decrease)/increase in cash and cash equivalents	**(32,765)**	194,031
Cash and cash equivalents at beginning of the period	**277,415**	128,444
Effect of foreign exchange rate changes	**(586)**	97
Cash and cash equivalents at end of the period, represented by bank balances and cash	**244,064**	322,572

1. GENERAL AND BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 6 January 2011. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 July 2013. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. The principal activities of its subsidiaries (the Company and subsidiaries are collectively referred to as the "**Group**") in the People's Republic of China (the "**PRC**") are software development, system integration, sales of related computer products and provision of other related services.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("**IASB**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (same as the functional currency of the Company).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2016.

The Group has not early applied the following new and revised International Financial Reporting Standards ("**IFRS**") that have been issued but are not yet effective:

Amendments to IAS 7	Disclosure Initative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[2]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's condensed consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company consider that the application of the other new IFRSs and amendments is unlikely to have a material impact on the Group's condensed financial position and performance as well as disclosure.

3. REVENUE AND SEGMENT INFORMATION

The Group is organised into different business units by products, based on which information is prepared and reported to the Group's chief operating decision maker (the "**CODM**") (i.e., the board of directors of the Company) for the purposes of resource allocation and assessment of performance.

For management purposes, the Group is organised into four core products, namely (i) tax software and related services; (ii) carbon management solutions; (iii) e-Government solutions; and (iv) system integration solutions. These products form the basis on which the Group reports its segment information.

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

	Six months ended	
	30.6.2017 RMB'000 (unaudited)	30.6.2016 RMB'000 (unaudited)
Segment revenue		
Tax software and related services	**54,582**	52,559
Carbon management solutions	**38,226**	22,390
e-Government solutions	**123,614**	103,508
System integration solutions	**22,753**	26,214
Total revenue	**239,175**	204,671
Segment results		
Tax software and related services	**46,430**	45,222
Carbon management solutions	**25,830**	12,499
e-Government solutions	**48,099**	42,256
System integration solutions	**232**	142
Total segment results	**120,591**	100,119
Other income and gains	**4,930**	6,563
Distribution and selling expenses	**(18,845)**	(12,758)
Administrative and general expenses	**(23,466)**	(18,600)
Other expenses and losses	**(597)**	(2,825)
Profit before taxation	**82,613**	72,499
Taxation	**(7,393)**	(5,689)
Profit and total comprehensive income for the period	**75,220**	66,810

3. REVENUE AND SEGMENT INFORMATION — *continued*

Geographical information

The Group's non-current assets are substantially located in the PRC, the place of domicile of the relevant group entities. Substantially all of the Group's revenue is derived from the PRC.

4. RESULTS FOR THE PERIOD

The CODM does not review assets and liabilities by operating segment for the purpose of resource allocation and performance assessment.

Whilst the sales of tax software and related services are generally stable throughout the year, the sales of carbon management solutions, e-Government solutions and system integration solutions are seasonal, with sales generally being lower in the first half of the year than in the second half. There are a number of factors that cause these variations, but the primary factor is that the major customers of the Group, i.e. PRC government agencies, tend to conclude contracts in the second half of the year in accordance with their financial budgets approval procedures.

5. OTHER INCOME AND GAINS

	Six months ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	**4,002**	6,350
Government grants (Note)	**765**	213
Others	**163**	—
	4,930	6,563

Note:

The grants are incentive received by the PRC subsidiaries for eminent contribution to technology development and encouragement of business development. These grants are accounted for as immediate financial support with no future related costs expected to be incurred nor related to any assets.

6. OTHER EXPENSES AND LOSSES

	Six months ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange loss	**586**	—
Recognition of allowance for trade receivables	**—**	2,818
Others	**11**	7
	597	2,825

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/(crediting):

	Six months ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**4,270**	1,971
Amortisation of lease prepayment for land use rights	**180**	—
Amortisation of intangible assets:		
amortisation of capitalised software costs (included in cost of sales)	**37,639**	31,522
amortisation of other software (included in research and development costs)	**25,103**	25,554
	67,192	59,047
Net foreign exchange (loss)/gain	**(586)**	97
Cost of inventories recognised as an expense	**55,418**	46,108

8. TAXATION

	Six months ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC enterprise income tax ("**EIT**")	**5,766**	9,294
Over provision in prior years	**(60)**	(4,531)
Deferred tax charge:		
Current period	**1,687**	926
	7,393	5,689

Note:

The Company had no assessable profits subject to income tax in any jurisdictions since its incorporation.

The Company's subsidiaries established in the PRC are subject to PRC EIT at rates prevailing under the relevant laws and regulations in the PRC as follows:

1. On 31 October 2014, Nanjing Skytech Co., Limited ("**Nanjing Skytech**") and Jiangsu Skyinformation Co., Limited ("**Jiangsu Skyinformation**") obtained "High-tech Enterprise" certificates. Accordingly, the applicable income tax rates for both Nanjing Skytech and Jiangsu Skyinformation for the current period are 15% (six months ended 30 June 2016: 15%).

   In addition to being recognised as a "High-tech Enterprise", enjoying a preferential corporate income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Key Software Enterprise under the National Plan" for the period, it can further enjoy a preferential tax rate of 10%. In 2016, Cai Shui [2016] No.49 has been enacted that entities can register for the "Key Software Enterprise under the National Plan" in tax bureau if the entities comply with relevant requirements. Therefore, Nanjing Skytech was considered to meet those requirements. Therefore Nanjing Skytech used a preferential corporate income tax rate of 10% (six months ended 30 June 2016: 10%) for the current period. The application of the preferential tax rate stated above is subject to critical accounting estimates of the Group's management based on their past experience.

2. Nanjing Skytech Quan Shui Tong Information Technology Co., Limited ("**Quan Shui Tong**") was formerly eligible for certain tax holidays and concessions and were exempted from PRC EIT for two years starting from its first profit-making year, followed by a 50% reduction for the following three years. Quan Shui Tong commenced its first profit-making year in the financial year ended 31 December 2014. Accordingly, for the current period, Quan Shui Tong had 50% reduction on PRC EIT (six months ended 30 June 2016: 50% reduction) (i.e. tax rate at 12.5% for both periods) and the tax holidays and concessions for Quan Shui Tong will end in the year ending 31 December 2018.

3. The applicable EIT rate for Zhenjiang Skyinformation Co., Limited ("**Zhenjiang Skyinformation**"), Jiangsu Skytech Investment Management Co., Limited, ("**Jiangsu Skytech Investment**"), Qingdao Skytech Software Co., Limited ("**Qingdao Skytech Software**") and Nanjing Aisita Real Estate Co., Limited ("**Nanjing Aisita**") are 25% for the current period (six months ended 30 June 2016: 25%).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited profit for the six months ended 30 June 2017 of approximately RMB 75,220,000 (six months ended 30 June 2016: RMB 66,810,000) and 1,238,709,600 shares (as at 30 June 2016: restated 1,238,709,600 shares).

Dilutive earnings per share is the same as basic earnings per share as the Group had no potential outstanding ordinary shares throughout the six-month period ended 30 June 2017 and 30 June 2016.

10. DIVIDENDS

During the six months ended 30 June 2017, a 2016 final dividend amounting to RMB 0.0233 (approximately HKD 0.0267) per share was proposed by the Company's directors on 30 March 2017, and subsequently approved at the annual general meeting dated 10 June 2017. The directors did not recommend payment of an interim dividend for the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: nil).

During the six months ended 30 June 2016, a 2015 final dividend amounting to RMB 0.0195 (approximately HKD 0.0228) per share was adjusted for bonus issue was proposed by the Company's directors on 20 March 2016, and subsequently approved at the annual general meeting dated 28 June 2016.

11. INTANGIBLE ASSETS

During the six months ended 30 June 2017, the Group incurred the additions of cost at approximately RMB 59,730,000 (six months ended 30 June 2016: RMB 30,884,000) which represented the capitalised software costs generated internally amounting to approximately RMB 44,615,000 (six months ended 30 June 2016: RMB 19,139,000) and other purchased software amounting to approximately RMB 15,115,000 (six months ended 30 June 2016: RMB 11,745,000) for the new software product development.

12. DEFERRED TAXATION

The following are the deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior periods:

	Allowance for doubtful receivables RMB'000	Withholding tax on undistributed profits RMB'000	Capitalised software costs RMB'000	Total RMB'000
At 1 January 2016 (audited)	395	(8,038)	(23,701)	(31,344)
Credit/(charge) to profit or loss	423	(3,300)	1,951	(926)
At 30 June 2016 (unaudited)	818	(11,338)	(21,750)	(32,270)
At 1 January 2017 (audited)	**817**	**(17,038)**	**(27,056)**	**(43,277)**
Credit/(charge) to profit or loss	**—**	**(4,000)**	**2,313**	**(1,687)**
At 30 June 2017 (unaudited)	**817**	**(21,038)**	**(24,743)**	**(44,964)**

Under the EIT Law of PRC, dividends paid to non-resident overseas shareholders declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards is subject to a PRC withholding tax rate of up to 10%. For investors incorporated in Singapore, a preferential rate of 5% will be applied where appropriate. As at 30 June 2017 and 31 December 2016, the Group has fully provided the deferred tax liabilities of withholding tax on the undistributed earnings of the PRC subsidiaries.

The deferred tax balance has reflected the tax rates that are expected to apply in the respective periods when the asset is realised or the liability is settled.

13. TRADE AND OTHER RECEIVABLES

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
Trade receivables	644,577	557,138
Less: Allowance for doubtful debts	(5,453)	(5,453)
	639,124	551,685
Prepayments to suppliers	23,109	24,031
Prepayment to the trustee	4	23,525
Deposits	2,141	1,296
Value-added tax recoverable	661	2,242
Advances to employees	4,255	2,785
Lease prepayment for land use rights	360	314
Others	2,030	1,365
Total trade and other receivables	671,684	607,243

The Group's trade customers are principally government agencies and the Group offered credit terms to them with reference to the expected timing of settlement from the customers, which was around one year, although a longer credit term may be extended to certain customers, depending on price, the size of the contract, credibility and reputation of the customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods or rendering of services to customers which approximated the respective dates on which revenue was recognised.

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
0 to 60 days	224,513	266,958
61 to 90 days	182	6,513
91 to 180 days	8,862	6,642
181 days to 365 days	219,189	93,423
Over 1 year but less than 2 years	111,787	108,815
Over 2 years	74,591	69,334
	639,124	551,685

14. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	As at 30.6.2017 RMB'000 (unaudited)	As at 31.12.2016 RMB'000 (audited)
0 to 90 days	**51,229**	72,346
91 to 180 days	**759**	387
181 days to 365 days	**2,051**	2,862
Over 1 year	**3,110**	4,694
	57,149	80,289

The trade and bills payables comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit within 90 days from invoice date.

15. SHARE CAPITAL

Shown on the condensed consolidated statement of financial position

	As at 30.6.2017		As at 31.12.2016	
	Number of shares '000	RMB'000	Number of shares '000	RMB'000
At 1 January 2017/2016 (audited)	**1,238,710**	**10,009**	1,032,258	8,232
Issue of shares (Note)	**—**	**—**	206,452	1,777
At 30 June 2017 (unaudited)/ 31 December 2016 (audited)	**1,238,710**	**10,009**	1,238,710	10,009

Note:

On 19 September 2016, the Company issued 206,451,600 ordinary shares of HKD 0.01 each ("**Bonus Shares**") on the basis of one new share for every five existing shares held (the "**Bonus Issue**"). The Bonus Shares were credited as fully paid by way of capitalisation of HKD 2,064,516 of the share premium account of the Company. Details of the Bonus Issue are set out in the Company's circular dated 17 August 2016 and announcements dated 2 September 2016 and 19 September 2016.

16. SHARE-BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Pursuant to the written resolution passed on 11 June 2013, the Company adopted a pre-IPO share option scheme (the "**Share Option Scheme**") to (i) motivate the personnel to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the personnel whose contributions are or will be beneficial to the long-term growth of the Group. The Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

As at 30 June 2017 and 31 December 2016, no option has been granted under the Share Option Scheme since its adoption date.

(b) Share Award Scheme

The Company adopted a share award scheme (the "**Share Award Scheme**") on 13 December 2016 (the "**Adoption Date**") with a duration of 10 years commencing from the Adoption Date. The objective of the Share Award Scheme are to (i) recognise and motivate the contributions by certain employees and non-executive directors of the Company and/or any member of the Group who, in the sole opinion of the Board of Directors, will contribute or have contributed to the Company and/or any member of the Group ("**Eligible Participants**") and to give incentives thereto in order to retain them for the continual operation and development of the Group; (ii) attract suitable personnel for further development of the Group; and (iii) provide certain Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants.

During the year ended 31 December 2016 and six months ended 30 June 2017, 5,550,000 and 10,303,000 ordinary shares of the Company have been acquired by the Company through its trustee, ARK Trustee (Hong Kong) Limited (the "**Trustee**"), at aggregate costs of approximately HKD 13,700,000 (equivalent to approximately RMB 12,255,000) and HKD 26,300,000 (equivalent to approximately RMB 23,396,000) (the "**First Contributed Amount**") respectively.

Pursuant to the Company's announcement dated 12 June 2017, the Board of Directors further resolved to set aside a sum of up to HKD 50 million (equivalent to approximately RMB 44,131,000) for the purchase of Company's ordinary shares through the Trustee to be awarded to the Eligible Participants as to be selected by the Board of Directors (the "**Second Contributed Amount**"). The Second Contributed Amount will be paid to the Trustee as and when required.

During the six months ended 30 June 2017, 5,078,000 ordinary shares of the Company have been acquired by the Company through its Trustee, at an aggregate cost of approximately HKD 12,497,000 (equivalent to approximately RMB 10,846,000).

As at 30 June 2017, no shares have been granted or agreed to be granted to any Eligible Participants pursuant to the Share Award Scheme.

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the period were as follows:

	Six months ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	**2,513**	2,047
Retirement benefits scheme contributions	**192**	88
	2,705	2,135

18. CONTINGENT LIABILITIES

Nanjing Skytech has been involved in a series of disputes with Janful Limited ("**Janful**") over a joint venture company set up between Nanjing Skytech and Janful in 2000. Various legal actions were commenced by Janful for claims against the Group, but most of which were dismissed by courts or were subsequently withdrawn. On 15 September 2015, the Group received a court order issued by the Nanjing Intermediate People's Court, ordering the defendants of the Group to pay a damage of approximately RMB 27,906,000 to Janful. The Group had issued a defend letter and filed an appeal to the Higher People's Court of Jiangsu Province ("**Higher Court**"). On 1 July 2016, the Group received the judgement made by the Higher Court to overrule all claims of Janful. On 11 July 2016, the Group issued another defend letter to the Supreme People's Court of The People's Republic of China ("**Supreme People's Court**"). On 3 August 2016, the Group received a notice of case registration from the Supreme People's Court. In October 2016, the Group issued a supplementary defend letter to the Supreme People's Court. Pursuant to the Company's further announcements dated 6 December 2015, Janful filed an application to the Beijing Fourth Intermediate People's Court (the "**Beijing Court**") for the revocation of the China International Economic and Trade Arbitration Commission Arbitral Award ("**CIETAC**") which was given in favour of Nanjing Skytech but after the trials, the Beijing Court made a judgement that the rationale for Janful's application to revoke the CIETAC Arbitral Award was unsubstantiated. On 7 November 2016, the Beijing Court issued a decision to dismiss Janful's application of revoking the CIETAC Arbitral Award. This decision is final and conclusive with effect from 7 November 2016 as per Company's announcement dated 14 November 2016. The directors believe, based on the legal advices, the action can be successfully defended and therefore no losses (including claims for costs) will be incurred. Accordingly, no provision for any of such claims was made in the condensed consolidated financial statements at 30 June 2017 and prior year.